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AB-1058 Motor Vehicle Fuel Tax Law: suspension of tax. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 1058

Introduced by Assembly Member Jeff Gonzalez
(Coauthors: Assembly Members Alanis, Castillo, Chen, and Ta)
(Coauthors: Senators Choi, Jones, and Ochoa Bogh)

February 20, 2025

An act to amend Sections 7360, 7362, 7363, and 7364 of, and to add Section 7374 to, the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1058, as introduced, Jeff Gonzalez. Motor Vehicle Fuel Tax Law: suspension of tax.

Existing law, the Motor Vehicle Fuel Tax Law, imposes a tax upon each gallon of motor vehicle fuel removed from a refinery or terminal rack in this state, entered into this state, or sold in this state, at a specified rate per gallon.

Existing unfair competition laws establish a statutory cause of action for unfair competition, including any unlawful, unfair, or fraudulent business act or practice and unfair, deceptive, untrue, or misleading advertising and acts prohibited by false advertisement laws.

This bill would suspend the imposition of the tax on motor vehicle fuels for one year. The bill would require that all savings realized based on the suspension of the motor vehicle fuels tax by a person other than an end consumer, as defined, be passed on to the end consumer, and would make the violation of this requirement an unfair business practice, in violation of unfair competition laws, as provided. The bill would require a seller of motor vehicle fuels to provide a receipt to a purchaser that indicates the amount of tax that would have otherwise applied to the transaction.

This bill would also direct the Controller to transfer a specified amount from the General Fund to the Motor Vehicle Fuel Account in the Transportation Tax Fund. By transferring General Fund moneys to a continuously appropriated account, this bill would make an appropriation.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3 Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 7360 of the Revenue and Taxation Code is amended to read:

7360. (a) (1) ~~Except as provided in Section 7374, a~~ tax of eighteen cents (\$0.18) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.

(2) If the federal fuel tax is reduced below the rate of nine cents (\$0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal twenty-seven cents (\$0.27).

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

(b) (1) ~~Except as provided in Section 7374, on~~ and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364 in an amount equal to seventeen and three-tenths cents (\$0.173) per gallon.

(2) For the 2011–12 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate in paragraph (1) in that manner as to generate an amount of revenue that will equal the amount of revenue loss attributable to the exemption provided by Section 6357.7, based on estimates made by the board, and that rate shall be effective during the state's next fiscal year.

(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2012, the adjustment under paragraph (2) shall also take into account the extent to which the actual amount of revenues derived pursuant to this subdivision and, as applicable, Section 7361.1, the revenue loss attributable to the exemption provided by Section 6357.7 resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.

(4) The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Section 6357.7 does not produce a net revenue gain in state taxes.

(5) Commencing July 1, 2019, the adjustments in paragraphs (2) and (3) shall cease, and the rate imposed by this subdivision shall be the rate in paragraph (1).

(c) ~~Except as provided in Section 7374, on~~ and after November 1, 2017, in addition to the taxes imposed by subdivisions (a) and (b), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364, in an amount equal to twelve cents (\$0.12) per gallon.

(d) On July 1, 2020, and every July 1 thereafter, the board shall adjust the taxes imposed by subdivisions (a), (b), and (c), with the adjustment to apply to both to the base tax rates specified in those provisions and to any previous adjustment in rates made pursuant to this subdivision, by increasing the taxes by a percentage amount equal to the increase in the California Consumer Price Index, as calculated by the Department of Finance with the resulting taxes rounded to the nearest one-tenth of one cent (\$0.01). The first adjustment pursuant to this subdivision shall be a percentage amount equal to the increase in the California Consumer Price Index from November 1, 2017, to November 1, 2019. Subsequent annual adjustments shall cover subsequent 12 month periods. The incremental change shall be added to the associated rate for that year.

(e) Any increases to the taxes imposed under subdivisions (a), (b), and (c) that are enacted by legislation subsequent to July 1, 2017, shall be deemed to be changes to the base tax rates for purposes of the California Consumer Price Index calculation and adjustment performed pursuant to subdivision (d).

SEC. 2. Section 7362 of the Revenue and Taxation Code is amended to read:

7362. ~~The~~ ~~Except as provided in Section 7374, the~~ tax specified in Section 7360 is imposed on the removal of motor vehicle fuel in this state from a terminal if the motor vehicle fuel is removed at the rack.

SEC. 3. Section 7363 of the Revenue and Taxation Code is amended to read:

7363. ~~The~~ ~~Except as provided in Section 7374, the~~ tax specified in Section 7360 is also imposed on all of the following:

(a) The removal of motor vehicle fuel in this state from any refinery if either of the following applies:

(1) The removal is by bulk transfer and the refiner or the owner of the motor vehicle fuel immediately before the removal is not a licensed supplier.

(2) The removal is at the refinery rack.

(b) The entry of motor vehicle fuel into this state for sale, consumption, use, or warehousing if either of the following applies:

(1) The entry is by bulk transfer and the enterer is not a licensed supplier.

(2) The entry is not by bulk transfer.

(c) The removal or sale of motor vehicle fuel in this state to an unlicensed person unless there was a prior taxable removal, entry, or sale of the motor vehicle fuel.

(d) The removal or sale of blended motor vehicle fuel in this state by the blender thereof. The number of gallons of blended motor vehicle fuel subject to tax is the difference between the total number of gallons of blended motor vehicle fuel removed or sold and the number of gallons of previously taxed motor vehicle fuel used to produce the blended motor vehicle fuel.

SEC. 4. Section 7364 of the Revenue and Taxation Code is amended to read:

7364. ~~The~~ Except as provided in Section 7374, the tax specified in Section 7360 is imposed as a backup tax as follows:

(a) On the delivery into the fuel tank of a motor vehicle fuel-powered highway vehicle of:

(1) Any motor vehicle fuel on which a claim for refund has been allowed; or

(2) Any liquid on which tax has not been imposed by this part, Part 3 (commencing with Section 8601), or Part 31 (commencing with Section 60001).

(b) On the sale of any motor vehicle fuel on which a claim for refund has been allowed.

(c) On the sale and delivery into the fuel tank of a motor vehicle fuel-powered highway vehicle of any liquid on which tax has not been imposed by this part, Part 3 (commencing with Section 8601), or Part 31 (commencing with Section 60001).

SEC. 5. Section 7374 is added to the Revenue and Taxation Code, to read:

7374. (a) The imposition of taxes under Sections 7360, 7362, 7363, and 7364 is suspended for the period beginning on the effective date of this section and ending on the date one year after the effective date of this section.

(b) (1) All savings realized on the purchase of motor vehicle fuel by any party other than an end consumer due to the suspension of taxes pursuant to this section shall be passed on to the end consumer.

(2) Any violation of this subdivision shall constitute an unfair business practice punishable pursuant to Chapter 5 (commencing with Section 17200) of Part 2 of Division 7 of the Business and Professions Code.

(3) Notwithstanding any other law, a prospective plaintiff shall provide written notice of an alleged violation of this subdivision at least 60 days prior to bringing any enforcement action in order to give the defendant opportunity to remedy any deficiency.

(4) If a party receiving a notice pursuant to paragraph (3) responds in writing within 60 days, and the response offers an explanation for the deficiency and expresses an intent to remedy the deficiency, the opportunity to remedy a deficiency prior to initiating an enforcement action shall be extended an additional 30 days.

(5) Any remediation of a deficiency during the waiting period described in this subdivision shall be an affirmative defense against an enforcement action.

(c) Upon any sale of motor vehicle fuels to which this section applies, the seller shall provide a receipt to the purchaser that clearly indicates the amount of motor vehicle fuel tax that would have applied to the sale if not for this section.

(d) For purposes of this section, "end consumer" means a purchaser of motor vehicle fuels for the purpose of consumption, and not for resale.

(e) (1) The Controller, no later than 60 days after the effective date of this section, shall transfer an amount equal to the amount collected pursuant to Sections 7360, 7362, 7363, and 7364 in the 2023–24 fiscal year, adjusted for inflation, from the General Fund to the Motor Vehicle Fuel Account in the Transportation Tax Fund. This transfer amount is continuously appropriated in accordance with Section 8352.

(2) The Controller, no later than 60 days after the conclusion of the one-year period in subdivision (a), shall calculate the actual revenues from the imposition of taxes under Sections 7360, 7362, 7363, and 7364 that would have been collected in the absence of the suspension in subdivision (a). If this amount is greater than the amount calculated in paragraph (1), the Controller shall transfer the difference from the General Fund to the Motor Vehicle Fuel Account in the Transportation Tax Fund. This transferred amount is continuously appropriated in accordance with Section 8352.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to immediately lower gas prices and provide relief to California motorists, it is necessary for this act to take immediate effect.